

FISCAL NOTE

SB 947 - HB 1051

March 26, 2001

SUMMARY OF BILL:

- Exempts industrial machinery from those items currently included in the minimum measure of the franchise tax.
- Provides a deduction for industrial machinery, as defined in TCA 67-6-102, in computing the property basis of the franchise tax.
- Provides that the exemption would:
 - impact only those taxpayers whose franchise tax is based on property as opposed to net worth. For informational purposes, franchise tax is imposed on the greater computed amount of either net worth or property.
 - apply only to property, which is placed in service by the taxpayer during corporate fiscal years ending on, or after the date of enactment of the bill.

ESTIMATED FISCAL IMPACT:

Decrease State Revenues - Exceeds \$3,400,000

Increase State Expenditures - Exceeds \$100,000 One-Time

Estimate assumes the following:

- approximately 60% of franchise and excise taxpayers have property as the basis of their franchise tax. Exempting industrial machinery from the property tax base is estimated to result in a decrease in state revenues exceeding \$3,400,000 annually.
- an increase in state expenditures that exceeds \$100,000 one-time resulting from MIS System changes in the Department of Revenue.

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.



James A. Davenport, Executive Director

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